

## DEMYSTIFYING THE DYNAMICS OF CORPORATE SOCIAL RESPONSIBILITY AND HUMAN RESOURCE POLICIES

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### ABSTRACT

*CSR the word in itself is a mystery for most of the organisations and everyone is trying to solve it as per their understanding. The term engulfs in a deeper enigma when it is defined by different individuals and organisations differently. Maybe we can regard Howard Bowen as an artist to who purposely refrained to define the term coined by him. Whichever way it is defined by organisations one crucial fact remains established that is that Human resource policies play a crucial role in the achievement of CSR objectives of the organisation. Which every organization wants, its CSR activities to be successful. This research paper tries to demystify the dynamics between CSR and HRP. Four types of HR policies are selected and their impact is identified on CSR activities of the organisation.*

**KEYWORDS:** Human Resource Policies, CSR, Recruitment and Selection Policies, Training, Development and Education Policies Involvement Policies & Communication Policies

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### 1. INTRODUCTION

Every organisation aims for success of its activities be it in the economic arena of making profit, legal arena of fulfilling duties or in the social arena of corporate social responsibility. While there is some organisation who are benefiting from their CSR activity studies show some are not. One aspect is due to the missed focus on the correct type of policies to be adopted by the organization to have the desired impact. As such an attempt is made to study the micro foundations of CSR. That is the HR policies and in that to four types of human resource policies are selected namely Recruitment and Selection Policies Training, Development & Education Policies, Involvement Policies, and Compensation and Reward Policies. The effect of these HR policies is analysed through statistical analysis. The research uses the data collected from five industrial organisations in Bhopal M.P.

### 2. RESEARCH OBJECTIVES

**Research Objective 1:** To study what type of role does HRP **presently plays** in CSR with reference to the industrial sector in Bhopal (M.P).

**Research Objective 2:** To understand how HR policies **affect** CSR with reference to the industrial sector in Bhopal (M.P).

### 3. REVIEW OF LITERATURE

Many research conducted by Davenport (2000), Carroll (2000), Cooper.et.al (2001) and Whooley (2004) have found that CSR is often defined in terms of key stakeholders of the organisations. As such employees of the organisation hold an important place as not only are they a key internal stakeholder but also an important one on

whom the interest of other stakeholders depends. Other researchers in the previous studies have tried to study the link between HRM and CSR, Beaupré et al. (2008), Grimand and Vandangeon-Derumez (2010) or Gond et al. (2011), but in these rare studies, CSR was perceived 'as an average utility or instrument to emphasize the social rationality of the company' (Beaupré et al., 2008). And in these studies, it was believed that same instrument of CSR would improve company image, commitment and staff loyalty, and would guarantee good working conditions for employees. These authors consider that when CSR intends to benefit employees, it takes the shape of training individuals to progress in their careers, promoting diversity of all visible minorities, and offering interesting conditions of remuneration, including gratitude and employee profit-sharing in shareholding. In their study Fraisse and Guerfel-Handa (2005) consider the possibility that HRM could represent a powerful lever that would help companies to adopt more responsible behaviour also HRM could thus support and help to solidify establishment of CSR within companies (Preuss et al., 2009). Other authors like Redington (2005) and Gond et al. (2011) also agreed with such a view by emphasizing the key role of HR professionals and effective people-management for successful CSR programmes. Beaupré et al. (2008) in their study mentioned that the role of HRM in CSR development is particularly crucial in view of the importance of **employees' knowledge of the organisation**. Furthermore, the research by Fraisse and Guerfel-Handa (2005) also show CSR's influence in redefining HRM strategies by bringing to light questions of lifelong training, health and safety, diversity, and equal treatment of men and women. Sharma et al. (2009) had also argued that the designing of performance management system will be impacted by CSR in order to better measure the employees socially responsible initiatives. Accordingly Sharma et.al emphasized that, "this becomes important as the internalization of CSR in an organizational culture requires that appropriate behaviours get appraised, appreciated as well as rewarded". They further added that this way a system of mutual influence would thus exist between HRM and CSR, suggesting that HR functions and roles could evolve according to CSR practices established by the company. Another study (Rodrigo and Arenas, 2008) that was carried out on employees of construction companies with well-established CSR programs revealed that not all employees' working attitudes were positively impacted by successful CSR initiatives.

The research by Hoeffler et al. (2010) suggested that, the more participation and effort from employees are required, the greater the level of commitment from employees, which ultimately provides increased social welfare (Hoeffler et al., 2010). In their research it was also suggested by Turban and Greening, 1996; Maignan et al., 1999; Riordan et al., 1997; Brammer et al., 2007; Turker, 2009b that Organizations which have CSR elements embedded in their culture are more likely to have a positive effect on employees and consequently on organizational performance.

#### 4. HYPOTHESIS OF THE STUDY

**Hypothesis 1: H<sub>1</sub>:** Recruitment and Selection Policies have significant affect on CSR.

**Hypothesis 2: H<sub>1</sub>:** Training, Development & Education Policies have significant affect on CSR.

**Hypothesis 3: H<sub>1</sub>:** Involvement Policies have significant affect CSR.

**Hypothesis 4: H<sub>1</sub>:** Compensation and Reward Policies have significant affect CSR.

#### 5. RESEARCH METHODOLOGY

The research approach used is inductive in nature. While the research design followed is descriptive design. The research timing selected for the study is cross sectional as it was conducted one time only. The research method adopted is quantitative in nature, whereas the research instrument used is questionnaire using established scale.

Sample location selected for the study is Bhopal and the sample unit under the study are five large scale organisations. The sample elements are the while collar workers working in these organisations. The sample size is 451 with response rate of 51.67%. The sample method adopted is non probability data collection method. It includes judgment, convenience sampling, a snowball technique.

## 6. CONSTRUCTS AND SCALE

The items of the **Human Resource Management Policies and Practices Scale developed and validated in Brazil by Demo et al. (2012)** which was used in the US and Brazil was used as the basis for collecting responses for the HR policies. Though this scale included other types of HR policies only four types of HR policies were selected for the purpose of the study. **The original scale consisted of 29 HRP indicators which were reduced to 20 through factor analysis.** This study uses an adaptation of Turker's (2009) CSR scale. Turker (2009) had used different stakeholders as a foundation for constructing the CSR scale from Wheeler and Sillanpaa's (1997) typology. In the adapted 19 item CSR scale two variables were removed, namely government and natural environment. The questions related to the government were removed as CSR clause was applicable here, whereas natural environment scored low on Reliability.

## 7. DATA ANALYSIS

### 7.1 Descriptive Analysis

The mean, or central tendency of the data and standard deviation, or the average amount of variation from the mean (Bryman & Bell, p. 360), can help give an overview of the way the participants are answering the questions. The table below outlines the mean and S.D., of the constructs and sub constructs taken in the study. The data in the descriptive statistics described trends among respondents completing the survey.

**Table 1: Descriptive Statistics**

	Mean	Std. Deviation	Skewness		Kurtosis	
Variables	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Recruitment And Selection	25.4124	2.56528	-.127	.115	-.026	.229
Training Development And Education	16.3548	2.06087	-.823	.115	1.505	.229
Involvement	24.4922	2.85452	-1.021	.115	2.269	.229
Compensation And Reward	15.3570	2.51110	-1.070	.115	2.846	.229
Society	12.1951	1.69104	-.599	.115	1.447	.229
Customers	12.4634	1.70369	-1.079	.115	2.956	.229
Shareholders	11.4634	1.86675	-.031	.115	-.475	.229
Employees	24.5100	3.05458	-1.172	.115	3.182	.229
TOTAL_HRP	81.6164	7.28082	-.707	.115	2.232	.229
TOTAL_CSR	60.6319	6.36394	-.673	.115	1.137	.229

### 7.2 Reliability Analysis

To analyse the reliability of the data Cronbach Alpha was used. Reliability was analysed both for the constructs and the sub constructs. The reliability score of Human Resource policies and CSR activities were well above the acceptable range as such the data were considered reliable for further analysis.

**Table 2: Reliability Statistics of Constructs**

	First Order Construct	Items	Cronbach's Coefficient ALPHA	Second Order Construct	Items	ALPHA
1	Recruitment and Selection (RS)	6	.783	HR POLICIES	20	.868
2	Training, Development & Education (TDE)	4	.800			
3	Involvement(INV)	6	.828			
4	Compensation and Rewards(CR)	4	.745			
5	Society(SO)	3	.782	CSR ACTIVITIES	15	.882
6	Customers (CUS)	3	.792			
7	Shareholders (SHA)	3	.818			
8	Employees (EM)	6	.834			

### 7.3 Correlation Analyses

Correlation analysis was also undertaken to study the interrelationship amongst the various sub constructs.

**Table 3: Correlation between all Sub Constructs**

	_RS	TDE	INV	CR	SO	CUS	_SHA	_EM
<b>RS</b>	1							
<b>TDE</b>	.318**	1						
<b>INV</b>	.433**	.284**	1					
<b>CR</b>	.317**	.416**	.439**	1				
<b>SO</b>	.391**	-.050	.568**	.137**	1			
<b>CUS</b>	.285**	.111*	.455**	.257**	.450**	1		
<b>SHA</b>	.404**	.205**	.477**	.226**	.354**	.458**	1	
<b>EM</b>	.394**	.465**	.644**	.497**	.481**	.449**	.398**	1

\*\*. Correlation is significant at the 0.01 level (2-tailed).

\*. Correlation is significant at the 0.05 level (2-tailed).

### 7.4 Sampling Adequacy

**KMO (Kaiser-Meyer-Olkin) and Bartlett's test:** The Kaiser-Meyer-Olkin is the measure of sampling adequacy. The test was performed to test the eligibility of the data. Kaiser-Meyer-Olkin (KMO) test measures Sampling Adequacy through an index ranging from 0 to 1. **Bartlett's Test of Sphericity.** The Bartlett's Test of Sphericity is used to test the null hypothesis which states that the correlation matrix has an identity matrix. The Bartlett's test helps to confirm if the observed correlation matrix  $R=(r_{ij})(p \times p)$  deviates considerably from the identity matrix (that is a theoretical matrix under  $H_0$ : the variables are orthogonal).

**Table 4: KMO and Bartlett's Test for HRP**

		HRP	CSR
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		<b>.836</b>	<b>.830</b>
Bartlett's Test of Sphericity	Approx. Chi-Square	2946.294	3991.568
	Df	105	231
	Sig.	.000	.000

### 7.5 Regression Analysis

A regression analysis was undertaken to analyse the strength of the relationship between the dependent and independent variables. Where CSR was the dependent variable and HR Policies relating to Recruitment and Selection, Training, Development & Education, Involvement, and Compensation and Reward were the independent variables. In Model 1 CSR is regressed on Recruitment and Selection Policies and in Model 2, 3 and 4 present the data when CSR is

regressed on Training, Development & Education, Involvement, and Compensation and Reward policies.

**Table 5: Regression Analysis Summary**

CSR Regressed on				
	Model 1	Model 2	Model 3	Model 4
	RS	TDE	INV	CR
R	.488 <sup>a</sup>	.300 <sup>a</sup>	.722 <sup>a</sup>	.410 <sup>a</sup>
R Square	.238	.090	.521	.168
Adjusted R Square	.236	.088	.520	.166
Std. Error of the Estimate	5.56216	6.07848	4.41004	5.81098
F	140.086	44.260	488.089	90.718
Sig.	.000 <sup>a</sup>	.000 <sup>a</sup>	.000 <sup>a</sup>	.000 <sup>a</sup>

The above table shows the result when CSR is regressed upon Recruitment and Selection Policies Training, Development & Education Policies, Involvement Policies, and Compensation and Reward Policies. It shows that the value of R is 0.488. **The R<sup>2</sup> value speaks about the strength of the model.** The value of R<sup>2</sup> for RS is 0.238, For TDE it is **0.090, For INV 0.521, and For CR it is 0.168.** It measures that how much of the variability in the outcome or result is accounted for by the independent variables. 23.8 % of the CSR is determined by Recruitment and Selection Policies, 9% by TDE, 52% by INV and 16.8% by CR. **The value of Adjusted R Square tells the exact impact of IV upon DV. That is, the 1 unit change in CSR can produce on** Recruitment and Selection Policies Training, Development & Education Policies, Involvement Policies, and Compensation and Reward Policies. The ANOVA table indicates that the model is significant as the p value is 0.000. The F value and significance confirm that the relationship is significant at the 0.05 level and not just accidental. Regression analysis confirms that there exist positive relationship between the perception to CSR and Recruitment and Selection Policies Training, Development & Education Policies, Involvement Policies, and Compensation and Reward Policies

## 8. DISCUSSIONS AND IMPLICATIONS

When CSR is regressed on HRP, R is reported = 0.681 and R Square = 0.464 thus signifying that 46.4 percent of variance in CSR is explained by HRP. When CSR was regressed on individual HR Policies the results showed that INV sub construct was having the highest impact on CSR and TDE sub construct was having the least effect.

**It is suggested that HR policies should be utilised to ensure better CSR rating.** As the results of the study has also proved that the perception of Human Resource Policies is a significant determinant of the perception towards CSR activities of the organisation. The better the perception of employees towards HR policies the better will be the CSR perception of the organisational activities. As international rating organisations acknowledge that in CSR rating it is the perception that plays an important role. Moreover, it was also observed that there is a strong correlation among the CSR sub constructs of **society and employees**. Which is quite acceptable too, as employees of the organisations is a part of the society too.

**It is recommended that increased involvement of employees should be there** in CSR activities of the organisation as it was found from the data analysis that Involvement policies were having the highest impact on the perception of CSR activities of the organisation in the manufacturing sector in Bhopal. This belief pattern can provide fertile ground for developing employee led CSR programmes. HR policies can be made for involving employees in CSR activities like community service programmes of the concerned organisations. As such HR policies can be directed towards involvement of employees' either in the performance of CSR activities or it can also be in the form of involvement in CSR

project identification and selection.

**It is suggested that Recruitment and selection policies should be focused on linking with CSR activities** of the organisation as it is a second highest type of HR policy significantly impacting on the perception of CSR of the organisation. As such the better the perception of employees is there towards recruitment and selection policies the better will be the perception towards CSR activities of the organisations. Moreover the significant impact also suggests that CSR focused recruitment and selection policies can also be included in the HR manual of the organisation as well as its website to attract and hire new employees who have the desired abilities, skills, and experiences matching the organisational philosophy that will help an organization achieve its goals.

It is observed that the perception towards CSR activities of the organisation is least affected by the perception towards organisational Training, Development and Education policies. **It is proposed that least impact of Training, Development and Education policies can be increased by better researched and customized Training, Development and Education policies. This effect is found to be the lowest amongst all the four types of HR Policies used in the study.** Organisations can provide opportunity for its selected employees to attend conferences that provide training for volunteers and non - profit organisation as it has to be kept in mind that the mandatory CSR clause limits the spending from the two percent amount towards CSR activities on activity benefits only employees. As such, only a selected few can be given the opportunity to undertake training and development programmes in CSR. Moreover, over through these training programmes in house capability can be built for carrying activities under mandatory CSR clause 135 which permits the organizations directly undertake the CSR projects or can execute through a selected NGO.

## 9. CONCLUSIONS

It is found that perception towards organisational Compensation and Reward policies have a significant effect on CSR perception of the organisation. **It is proposed that their contribution can be increased by focusing on the CSR based reward policies.** These rewards can be in the form of perks given to employees for the time invested in community services. Moreover, HR policies can also be directed towards employee compensation for the time devoted to organisational CSR activities or for their volunteer time. This volunteer time can be with the community or to the concerned NGO's. Though such programmes are being undertaken at the international level, such compensation and reward policies are still not seen in the organisation in Bhopal, M.P. Also such CSR led Compensation and Reward policies will motivate the employees take part in the organisation CSR projects and programmes which might increase the effectiveness of such projects. There is a probability that when employees of the organisations are seen as devoting their time and energies in the social causes that organisation cares for it will not only depict a strong organisational culture but will also help in creating a favourable impact on external stakeholders.

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